

Item # 12.A.

STETSON SCHOLARSHIP FUND AGREEMENT
REGIONAL SCHOOL UNIT NO. 5

This Scholarship Fund Agreement (the “Agreement”) is by and between Regional School Unit No. 5 (the “RSU”) and the Freeport High School Scholarship Foundation with its principal place of business at P.O. Box 431 Freeport, ME 04032 (the “Foundation”).

Whereas, the Norman B. Stetson Trust (the “Trust”) provides for a gift to Freeport High School in memory of Walter C. and Louise B. Stetson (parents of Norman B. Stetson) to establish a scholarship fund to assist worthy students of Freeport High School with the expenses of a college education;

Whereas, the Trust provides that the amount of each scholarship and the selection of scholarship recipients “shall be determined by the Freeport School Committee or such other authority as may be designated for said purpose by the Freeport School Committee”;

Whereas, effective July 1, 2009, the Freeport School Department reorganized with the Durham School Department and Maine School Administrative District No. 62 (Pownal) to form the RSU, with Freeport High School as one of the schools within the RSU and the RSU Board of Directors (the “Board”) as the RSU’s governing body;

Whereas, on February 28, 2024, the Board voted to accept a gift of approximately \$3.6 million from the Trust and take the necessary steps for the RSU to receive the Gift, including authorizing the Superintendent to sign associated legal and financial documents;

Whereas, on May 30, 2024, an initial deposit of funds from the Trust was transferred from Bank of America to the RSU;

Whereas, the Foundation is a Maine nonprofit corporation formed in 2021 with a mission to make significant financial contributions to a few Freeport High School students every year and to provide them with meaningful community mentor experiences for the duration of their post-secondary education;

Whereas, the Board believes that the Foundation is well suited to manage and administer the Scholarship Fund;

Now therefore, in consideration of the mutual promises herein and other good and valuable consideration, the parties agree as follows.

The Board, as successor to the Freeport School Committee, designates the Foundation as the authority to determine the amount of each scholarship and the selection of scholarship recipients in accordance with the terms of the Trust. Promptly after the execution of this Agreement, the Board shall transfer funds received from the Trust, including interest earnings thereon, to the Foundation. The Board shall also transfer to the Foundation any additional funds received from the Trust for scholarship purposes.

The Foundation shall establish the *Walter C. and Louise B. Stetson Scholarship Fund* (the "Scholarship Fund") and administer it as provided in the Trust. The Principal of Freeport High School shall serve ex officio as a member of the Board of Directors of the Foundation. The Principal shall participate with the Board of Directors of the Foundation in selecting scholarship awardees.

The Foundation shall keep the funds in the Scholarship Fund, including interest earnings thereon, separate from other funds held by the Foundation and free and clear of liens and encumbrances. The Walter C. and Louise B. Stetson Scholarship Fund shall be invested under the direction of the Board of Directors of the Foundation in accordance with the Foundation's investment policy for its own funds. The Foundation shall provide the Board with an annual accounting of the Scholarship Fund by December 31 of each year.

Either party may terminate this Agreement at any time with or without cause by providing written notice to the other party. If this Agreement is terminated or if the Foundation ceases to exist or materially changes its purpose, then the Foundation shall immediately transfer 100% of the remaining Scholarship Fund, including interest earnings, to the RSU.

In witness whereof, the parties have executed this Agreement on the dates set forth below.

_____, 2025

Jean Skorapa
Superintendent
Regional School Unit No. 5

_____, 2025

Name:
Title:
Freeport High School Scholarship Foundation

**FREEPORT HIGH SCHOOL SCHOLARSHIP FOUNDATION
CHRISTINE SMALL CUSHING MEMORIAL SCHOLARSHIP TRUST
WALTER C. AND LOUISE B. STETSON SCHOLARSHIP**

INVESTMENT POLICY

Adopted April 28, 2025

The purpose of this Statement is to establish the goals and objectives of the various funds managed by the Freeport High School Scholarship Foundation (FHSSF) which includes The Endowment Fund, the Christine Small Cushing Memorial Scholarship Trust (Cushing Trust), and the Walter C. and Louise B. Stetson Scholarship Fund (Stetson Fund) and outline a risk tolerance criteria based on those individual goals. In addition, it will set forth an acceptable investment menu with stipulations for maximum and minimum allocation in each of those investments. The Statement will also enumerate prohibitions on investments.

Collaborative Management of Funds

Pursuant to a Memorandum of Understanding between FHSSF and the Cushing Trust those parties have agreed that, in order to enhance the return on the investment of the assets of the Trust and the Foundation, the two funds shall be managed by a common fund manager selected by the Board of Directors of the Foundation and the Trustee of the Cushing Trust. In addition, the Regional School Unit 5 Board of Directors have turned over the Stetson Fund to the care of FHSSF and incorporated it into the scholarship activities of FHSSF. The funds will not be commingled but shall be separately accounted for by the fund manager.

This Investment Policy shall be independently approved by the Board of the FHSSF and the Trustee of the Cushing Trust.

Investment Management and Supervision

The Board of the FHSSF (the Board) and the Trustee of the Cushing Trust (the Trustee) are jointly responsible for overseeing the investment management of the funds. This includes, but is not limited to, the selection of appropriate asset classes, allowable ranges of holdings by asset classes, setting performance objectives and review of performance of investment managers retained by the FHSSF and the Trustee. The Board and Trustee will meet on an as needed basis with the Investment Manager to review investment performance and make necessary decisions with respect to the various funds.

Investment Manager

The Board and the Trustee may retain the services of an Investment Manager(s) who is responsible for making investment decisions (purchasing, holding or selling securities)

consistent with this Policy and for the sole interest and exclusive purpose of providing returns for the funds. The assets must be invested with the care, skill and diligence that a prudent expert acting in this capacity would undertake. All investments will be made within the guidelines of quality, marketability and diversification mandated by the Investment Policy Statement.

Custodian

The Investment Manager may retain a fund custodian. The Custodian will maintain possession of securities owned by the Plan, collect dividend and interest payments, and redeem maturing securities, and effect receipt and delivery following purchases and sales.

Investment Objectives

A. The FHSSF Endowment Fund and the Stetson Fund

The FHSSF Endowment Fund (the Endowment Fund) and the Stetson Fund are to be invested for the long-term support of the FHSSF. It is the goal of the Board that the Endowment Fund and the Stetson Fund will grow and provide income to support scholarships for Freeport High School graduates for many years to come. The Endowment Fund and the Stetson Fund should have appropriate exposure to growth over time and have a component of fixed income to provide a steady stream of income to the portfolio as well as a stable foundation to the account. The risk tolerance for these accounts are modest and should be invested with these goals in mind. Based on the goal of growth and income, the Endowment Fund and the Stetson Fund shall have an orientation which embraces capital appreciation as well as current income. Investments which seek capital appreciation in the long run with no emphasis on current income may be utilized in this Fund. The target allocation for the Endowment Fund and the Stetson Fund is 60%-80% Equities and 20%-40% Fixed Income and Cash. Rebalancing these funds to maintain this allocation need not be done more frequently than annually.

The Spending Policy for The Endowment Fund and the Stetson Fund shall be 4% of the three year rolling average of the balance of the Fund on 12/31. If there is yet to be a 3-year average, a 2-year average or 1- year average may be used. Funds that are not expended in any given year shall be added to the fund and become part of the corpus of the fund going forward.

B. The Cushing Trust Account

Leon Cushing established this Trust to support scholarships for graduating seniors of Freeport High School (FHS). They wished for these funds to remain separate and distinct from other general funds. The Trustee is the current principal of FHS. Therefore, any decisions or changes to these funds held under the umbrella of FHHSF must have the approval of the Trustee.

The Cushing Trust is for the long-term collaboration with the FHSSF and the students of FHS. It is the goal that the Cushing Account will grow and provide income to support scholarships for Freeport High School graduates for many years to come. While the document lists a percentage of income to be expended, the current trustee (as of July, 2021) has expressed an interest in embracing more current investment theory for the funds and approach with a total return approach. It is believed the donors would have approved of this approach as it, over time, will benefit more students. Approval was granted by the probate court to convert this trust to a Unitrust. As such, this fund should have appropriate exposure to growth over time and have a component of Fixed Income to provide a steady stream of income to the portfolio as well as a stable foundation to the account. The risk tolerance for this account is modest and should be invested with these goals in mind. Based on the goal of growth and income, the Cushing Fund shall have an orientation which embraces capital appreciation as well as current income. Investments which seek capital appreciation in the long run with no emphasis on current income may be utilized in this Fund. The target allocation for the Cushing Fund is 60%-80% Equities and 20%-40% Fixed Income and Cash. Rebalancing this Fund to maintain this allocation need not be done more frequently than annually.

The Spending Policy for The Cushing Fund shall be 4% of the three year rolling average of the balance of the Fund on 12/31 or \$20,000, whichever is greater.

Fixed Income/Constraints

The menu of fixed income securities for both the Endowment Fund, Stetson Fund and the Cushing Fund is dictated by the need for cash flow and safety of principal. They shall include:

- Treasury Bills
- Treasury Notes
- Agency instruments (as long as they are backed by the full faith and credit of the Treasury of the United States)
- Certificates of Deposit (Not to exceed FDIC coverage in any one institution)
- Money Market Accounts
- Corporate Bonds (credit ratings by S & P of no less than A)

Equities/Constraints

Equity holdings for the Endowment Fund, Stetson Fund and the Cushing Fund may be selected from the New York, American and Regional Stock Exchanges, or the NASDAQ markets. These holdings must represent companies meeting a minimum market capitalization of \$400 million with reasonable market liquidity.

No more than 10% of the assets of either fund may be invested in one equity

- Private Placements are prohibited
- Margin is prohibited

- Short sales are prohibited
- Investments in companies who are bankrupt are prohibited
- Covered call writing is permitted
- International equities shall not represent more than 25% of the equity position in any Fund.

Mutual Funds and ETF/Constraints

Mutual funds are permitted in the portfolio of both the Endowment Fund, Stetson Fund and the Cushing Fund provided that:

- The overall internal expense ratio may not exceed 1.00%
- The fund must have a 5 year track record
- The fund must have assets in excess of \$500 million

Voting of Proxies

Voting of proxies for both the Endowment Fund, Stetson Fund and the Cushing Fund shall be consistent with the goals and objectives of this Policy. Proxies may be voted by the Investment Manager with this in mind.

Policy Changes

Changes to this policy can only be accomplished only with a 2/3 majority vote of the Board of Directors of the FHSSF and the Trustee of the Cushing Fund.

Approved

Freeport High School Scholarship Foundation

By _____
Jennifer Galletta, President

Date _____

Christine Small Cushing Memorial Scholarship Trust

By _____
Principal of Freeport High School, Trustee

Date _____